Closure of the Homeowner Mortgage Support scheme  
Delivery partner briefing

Summary:
- This briefing is aimed at advice agencies and lenders who are currently offering support to struggling homeowners through the Homeowners Mortgage Support (HMS) scheme.
- It updates you on our proposals for the scheduled closure of the scheme to new entrants on 21 April 2011.
- It re-affirms the process for borrowers and lenders both up to and beyond the scheme’s scheduled closure date.
- It sets out the other forms of help which will remain available to struggling homeowners.
- It details the Department’s plans to close the HMS web portal on 30 June 2011 and what that means for the claims process. (Only relevant for lenders who have registered borrowers on the scheme.)

Key messages
- The HMS scheme, launched on 21 April 2009, is scheduled to close to new entrants on 21 April 2011. HMS was originally launched as a two year scheme and due to low levels of take-up, we are now closing the scheme as planned.

• Due to the assessment and money advice required before a households can be formally registered on HMS, lenders and advice agencies need to start preparing for closure now – particularly if you are currently advising households who may wish to register for the scheme before it closes on 21 April 2011.

• Under HMS, the Government guarantee lasts for four years after the borrower has exited the scheme, and applies if the borrower’s property is taken into possession and there is a shortfall upon sale. The Government therefore has legal and financial liabilities with lenders until potentially April 2017.

Application process up to and beyond closedown
- The scheduled closure date of 21 April 2009 means that the last day a borrower could be registered on the scheme is 20 April 2011.

• Before being registered on the scheme, borrowers need to obtain free money advice and lenders need to receive a copy of their Common Financial Statement. It will therefore be important in the run up to scheme closure to consider if a case is going to be able to be processed quickly enough to be registered before closure. If you are currently processing HMS cases or advising borrowers to consider this option, please ensure you are liaising with your lender / money advice partners on timing of completion. Please contact the Department if you have queries about a particular case (see below for contact details).
• Some lenders and advice agencies may wish to consider putting in place a ‘cut-off’ date for new registrations some weeks in advance of the final date.

• Irrespective of eligibility, new borrowers will not be permitted to join the HMS scheme from 21 April 2011 onwards.

Other Help available
• A range of help remains available to borrowers struggling with their mortgage commitments. These include:
  
  o Lenders’ own forbearance tools which can help borrowers struggling with their mortgages to remain in their homes
  o FSA regulation to ensure all customers are treated fairly
  o Free and independent debt advice is available to help struggling households
  o SMI (Support for Mortgage Interest) – for out of work households
  o MRS (Mortgage Rescue Scheme) – enabling vulnerable households to remain in their home as tenant of a Housing Association.
  o Court Desk Service – enables borrowers to get legal advice and support from a free court desk advisor.

Further information is available at:
• http://mortgagehelp.direct.gov.uk/ - which helps struggling borrowers to deal with their mortgage problems to enable them to remain in their home
• http://www.cfebuk.org.uk/ - which helps consumers to understand financial services in the UK and to manage their finances better

Money Advice
• After April 21 2011, money advice agencies should remove HMS money advice packs and any HMS publicity material should also be removed.

• The Department will ensure that references to HMS are removed from the DirectGov website and other media, including its own website.

• The HMS scheme is closing on schedule due to low levels of demand. However, the Government remains committed to ensuring repossession is only ever a last resort and is keen to ensure that borrowers having difficulties paying their mortgage talk to their lender and seek free and independent money advice from advice agencies on the range of help available. DCLG will continue to work with lenders and advice agencies to prevent repossession and support struggling homeowners.

Lender forbearance
• The HMS scheme was designed to encourage lenders to offer extended forbearance to help residential mortgage borrowers who are temporarily unable meet their full mortgage payments.

• Most lenders have significantly broadened the forbearance options available to their borrowers. The Department greatly values the increased forbearance that lenders have demonstrated and recognises this as a principal factor in limiting the number repossessions in recent years. As the scheme closes, we
would like to stress the importance that lenders continue to demonstrate forbearance and supporting their customers.

- We will continue to work with lenders – through forums such as the Mortgage Scheme Delivery Group and the Preventing Repossession Partners Group – to ensure that the value of lender forbearance in preventing repossessions continues to be recognised.

**Q & A**

**Why are you closing HMS?**
The HMS scheme is a two year scheme that was always scheduled to close on 21 April 2011. The aim of HMS was to encourage wider forbearance amongst lenders and this has been achieved. The statistics demonstrate that lenders have helped thousands of at-risk households avoid the threat of repossession. Given its low take-up rate and the wider range of forbearance options now available to borrowers, maintaining the scheme beyond its planned closure date is unnecessary.

**How many households have been helped through HMS?**
HMS has helped households in a number of ways. Firstly, there is no doubt that lenders have significantly bolstered their own forbearance practices. FSA statistics showed that, by the end of December 2009, over 133,000 borrowers were benefiting from forbearance offered by their lender – a 52 per-cent increase on the previous year.

In addition, since the scheme was launched, approximately 21,000 borrowers have received money advice through the HMS process, with nearly 550 being advised to pursue HMS with their lender, although only 55 have so far needed the formal backstop of registering for the HMS scheme.

**What’s going to happen to the scheme delivery group meetings?**
The Mortgage Scheme Delivery Group will continue to meet to consider delivery issues related to the Mortgage Rescue Scheme.

**What does the scheme’s closure mean for those already on HMS?**
The closure of HMS to new entrants will have no impact on those borrowers who are already registered on the scheme. It simply means that no more new borrowers can be admitted to the scheme. The Guarantee arrangements for registered borrowers will remain as before.

**Could someone who was previously registered on HMS but has left the scheme rejoin after 20 April 2011?**
No. Registrations to HMS will not be permitted after that date irrespective of whether they have been registered previously. Anyone wishing to re-enter HMS after having previously exited the scheme would need to ensure that they were registered before 20 April 2011.

**How can lenders amend the details (such as exit dates) on borrowers’ loan accounts?**
Changes to a borrower’s loan account details (such as amendments to their predicted exit date or inputting an actual exit date) would need to be made by the
Department after notification of the required change by the relevant lender. There is no direct way for lenders to make any amendments.

**Can such changes be made after 20 April 2011?**
Yes. Where necessary, amendments can be made to existing loan accounts after 20 April 2011. Although once a borrower has exited from the scheme, they will not be permitted re-entry.

**What circumstances would lenders need to notify the Department of a change to HMS borrowers?**
Lenders would only need to notify the Department to inform them of changes to a borrower’s predicted exit date, or their actual exit date; and, of course, where lenders were making a claim on the guarantee. However, as now, lenders would continue to maintain their own records of loan performance.

Otherwise, there would be no need to report anything to the Department unless lenders had a specific query, or there was a specific Departmental request as envisaged under Administrative Rules 12.2.

**What changes are you making to the MGD to account for the closure of HMS?**
It is our intention to restrict the amendments that need to be made to the MGD to as few as possible to allow the closure of the web portal. Accordingly, the only changes we intend to make are those which directly relate to the closure of the web portal and the new process for informing the Department of changes to registered borrowers accounts and making claims. We believe these changes will mostly be relatively simple and easy to understand.

For this reason, we are not amending the MGD to delete or otherwise amend sections which will be redundant after 21 April 2011 – items such as “admitting new borrowers” – as we believe doing so would cause unnecessary complexity to the amendments.

**Who can I contact if I need more information?**
For any queries relating to HMS, please contact Andrew Gough at:
e-mail: Andrew.Gough@communities.gsi.gov.uk
Telephone: 0303 444 3772

**Changes to the IT process following closure**
- The current process for monitoring the Government liability for HMS claims (and the method by which lenders inform DCLG of claims) is via a standalone HMS web portal, to which all registered lenders have independent access.

- Given the relatively low number of registrations, and the cost to the Department of running the HMS web-portal, DCLG is looking to close the HMS web portal on 30 June 2011.

- The web portal will remain functional until the end of June. However, during the months of June all data relating to existing HMS borrowers will be transferred to the Department. Thereafter, the claims process would be wholly...
run by the Department and any lenders wishing to make a claim on the guarantee would need to notify to the Department.

- The money advice MI data for April 2011 should be the final report that money advice agencies send to Toma Global. Agencies should not send any MI data to Toma Global or DCLG relating to May 2011 onwards.

Current and future claims process
- Currently, the web portal contains the following information on the registered borrowers:
  - Lender reference number, if applicable
  - Portal reference number (generated by the portal)
  - Status of borrower on scheme (i.e. on scheme, exited scheme etc.)
  - Outstanding balance under the terms of the Mortgage (as at the Start Date for the Borrower)
  - Interest rate under the terms of the Mortgage (as at the Start Date for the Borrower)
  - Borrower’s monthly payment
  - Registration date onto scheme
  - Predicted exit date from scheme
  - Brand (if applicable)
  - Removal date

- This information will be transferred to a DCLG held database during June 2011.

- We will also write to all relevant lenders to request confirmation that the data held on the portal is correct and up to date.

- In addition to the information above, the web portal enables following information to be entered in the case of a claim being made on the Government guarantee.
  - Exit date
  - Total deferred interest
  - Amount being claimed
  - Date of claim
  - Date of settlement

- As a result of the closure of the web portal, lenders wishing to make a claim on the Government guarantee will need to notify the Department of their claim along with the information stated above and any supporting data. This will enable the Department to begin the process of claim verification.

- In most cases, we believe that lenders will e-mail this notification to DCLG. However, it will be up to lenders as to how they propose to notify the Department of their claim.

- One of the facilities of the web portal was that it enabled lenders to post electronically any documentation in support of their claim. However, as a consequence of the closure of the web-site, in addition to the raw information stated above, lenders should also send (electronically or otherwise, at the
discretion of the lender) any supporting documentation to the Department, as specified in the Master Guarantee Deed.

**MGD**

- Lenders who signed up to HMS did so via entering a bespoke legal agreement with DCLG – the Master Guarantee Deed (MGD). This means that any change to the HMS scheme – including the any amendment or closure of the web portal – require a consequent amendment to the MGD.

- However, we are aware of the pressures on lenders’ legal departments and intend to make the amendments as simple and clear as possible. In practice, this will mean deleting or amending any reference to the HMS web portal and/or replacing it with amended text, where appropriate. (For example, rather than requiring lenders to “update the Scheme website” they may be asked to “notify the Department”.)

- To maintain simplicity, DCLG has decided not to amend the MGD to remove those elements that will be redundant after 21 April 2011 – for example, those sections which relate to the evaluation of new borrowers.

- There will be **no need to “re-sign” the MGD.**

- DCLG will aim to get an amended draft of the MGD to all relevant lenders before the end of March.

March 2011

Department for Communities and Local Government